Internal Revenue Service

Number: **201328019**
Release Date: 7/12/2013

Index Number: 1361.05-00, 9100.00-00

Department of the Treasury
Washington, DC 20224

Third Party Communication: None
Date of Communication: Not Applicable

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CC:PSI:02
PLR-143945-12

Date:
April 3, 2013

LEGEND

A =

P =

Q =

R =

S =

T =

U =

V =

W =

X =

Y =

Z =

State =

Year 1 =

Year 2 =

Year 3 =

Year 4 =

Year 5 =

Year 6 =

Date 1 =

Date 2 =

Date 3 =

Date 4 =

Date 5 =

Date 6 =

Date 7 =

Date 8 =

Date 9 =

Date 10 =

Date 11 =

a =

Dear :

This letter responds to a letter dated October 4, 2012, submitted on behalf of P, requesting an extension of time under § 301.9100-3 of the Procedure and Administration Regulations for P to elect to treat Q, R, S, T, U, V, W, X, and Y as qualified subchapter S subsidiaries ("QSubs") for federal tax purposes.

FACTS

The information submitted states that P incorporated in Year 2 and timely elected to be taxed as an S Corporation on Date 3. Q incorporated in Year 1 and elected to be taxed as an S Corporation on Date 1. R incorporated in Year 2 and timely elected to be taxed as an S Corporation effective Date 2. S incorporated in Year 3 and timely elected to be taxed as an S Corporation effective Date 4. T incorporated in Year 4 and timely elected to be taxed as an S Corporation effective Date 5. U incorporated in Year 4 and elected to be taxed as an S Corporation effective Date 6. All entities incorporated under the laws of State.

In Year 5, P, Q, R, S, T, U, and their respective shareholders entered into a series of transactions through which Q, R, S, T, and U became wholly owned by P as of Date 7 and Z, a single member limited liability company wholly owned by A and treated as a disregarded entity for federal income tax purposes, acquired an a% interest in P.

P formed V, W, X, and Y, as wholly owned subsidiaries under the laws of State on Date 8, Date 9, Date 10, and Date 11, respectively. Following their formation P inadvertently filed separate elections to treat V, W, X, and Y as S Corporations instead of QSubs.

P represents that neither P nor its shareholders were aware of the requirement to make QSub elections to obtain the desired tax treatment for the subsidiaries. P further represents that the shareholder's of P reported consistently with the treatment of Q, R, S, T, U, V, W, X, and Y as QSubs.

LAW & ANALYSIS

Section 1361(b)(3)(A) provides that a QSub shall not be treated as a separate corporation, and all assets, liabilities, and items of income, deduction, and credit of a QSub shall be treated as assets, liabilities, and such items (as the case may be) of the S corporation.

Section 1361(b)(3)(B) defines a QSub as a domestic corporation, which is not an ineligible corporation, if 100 percent of the stock of the corporation is held by an S corporation, and the S corporation elects to treat the corporation as a QSub.

Section 1.1361-3(a) of the Income Tax Regulations provides the time and manner for making a QSub election. A taxpayer makes a QSub election with respect to a subsidiary by filing Form 8869, Qualified Subchapter S Subsidiary Election, with the appropriate service center effective up to two months and 15 days prior to the date the election is filed or not more than 12 months after the election is filed.

Section 301.9100-1(c) authorizes the Commissioner to grant a reasonable extension of time for making regulatory elections. Section 301.9100-1(b) defines a regulatory election to include, among other things, an election whose due date is prescribed by a regulation published in the Federal Register.

Sections 301.9100-1 through 301.9100-3 set forth the standards by which the Commissioner will determine whether to grant an extension of time to make an election. Section 301.9100-2 provides the rules governing automatic extensions of time for making certain elections. Section 301.9100-3 describes the conditions under which the Commissioner will grant requests for relief that do not meet the requirements of § 301.9100-2. Under § 301.9100-3 request for relief will be granted when the taxpayer provides evidence to establish that (1) the taxpayer acted reasonably and in good faith, and (2) granting relief will not prejudice the interests of the government.

CONCLUSION

Based solely on the facts submitted and representations made, we conclude that P has satisfied the requirements of § 301.9100-3. Accordingly, P is granted an extension of time of 120 days from the date of this letter to elect to treat Q, R, S, T, and U as QSubs effective Date 7; V as a QSub as of Date 8; W as a QSub as of Date 9; X as a QSub as of Date 10; and, Y as QSub as of Date 11. The election should be made for each subsidiary by filing Form 8869 with the appropriate service center. A copy of this letter should be attached to the elections and is enclosed for that purpose. Except as expressly provided herein, no opinion is expressed or implied concerning the tax consequences of any aspect of any transaction or item discussed or referenced in this letter.

Except as expressly provided herein, no opinion is expressed or implied concerning the federal income tax consequences of any aspect of any transaction or item discussed or referenced in this letter under any other provision of the Code. Specifically, we express no opinion regarding whether P qualifies as an S corporation under § 1361, or whether any of the subsidiaries otherwise meet the definition of a QSub under § 1361(b)(3)(B). Further, we express no opinion on the federal income tax

treatment of the series of transactions through which through which Q, R, S, T, and U became wholly owned by P and Z acquired an a% interest in P.

The rulings contained in this letter are based upon information and representations submitted by the taxpayer and accompanied by a penalty of perjury statement executed by an appropriate party. While this office has not verified any of the material submitted in support of the request for rulings, it is subject to verification on examination.

This ruling is directed only to the taxpayer requesting it. Section 6110(k)(3) of the Code provides that it may not be used or cited as precedent.

In accordance with the Power of Attorney on file with this office, a copy of this letter is being sent to your authorized representative.

Sincerely,

Bradford R. Poston
Senior Counsel, Branch 2
(Passthroughs & Special Industries)

Enclosures (2)
Copy of this letter
Copy for § 6110 purposes

cc: